

Message Text

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13

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 SAM-01

SAJ-01 DRC-01 /179 W

----- 123956

R 301854Z APR 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC 643

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L BRUSSELS 2610

PASS TREASURY AND FRB

E.O. 11652: GDS

TAGS: EFIN, EEC, BE

SUBJECT: EC PROPOSALS ON GOLD

REF: (A) THE HAGUE 2042; (B) ROME 5736

1. SENIOR BELGIAN FINANCE MINISTRY OFFICIAL GAVE EMBOFF
APRIL 30 A COPY OF THE BELGIAN TEXT (IN FRENCH) OF THE
EEC FINMIN/CENTRAL BANKERS AGREEMENT REACHED AT ZEIST
APRIL 22-23. HE NOTED THAT
THERE WAS NO "OFFICIAL" TEXT OF THE AGREEMENT SINCE EACH
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DELEGATION MADE ITS OWN RECORD OF WHAT WAS AGREED UPON.

AT UK SUGGESTION, NO TIME WAS "WASTED" IN DRAFTING AN AGREED TEXT.

2. ACCORDING TO BELGIAN TEXT, THE PROPOSAL AGREED UPON AT ZEIST WOULD ALLOW THE MEMBER CENTRAL BANKS TO BUY OR SELL GOLD FREELY AT "MARKET RELATED" PRICES. A MOVABLE BAND (E.G. A SNAKE) WOULD BE ESTABLISHED WITHIN WHICH CENTRAL BANKERS COULD NEGOTIATE SALES/PURCHASES BETWEEN THEMSELVES OR IN THE MARKET. ALTERNATIVELY, CENTRAL BANKS MIGHT BE ALLOWED TO SELL GOLD TO EUROPEAN MONETARY COOPERATION FUND (FECOM) FOR EUROPEAN UNITS OF ACCOUNT WHICH THE BANKS COULD THEN USE TO BUY EEC CURRENCIES FROM OTHER CENTRAL BANKS.

3. BELGIAN TEXT ALSO NOTES THAT "CERTAIN COUNTRIES" BELIEVE THAT NO OVERALL INCREASE IN GOLD STOCKS HELD BY MEMBER CENTRAL BANKS SHOULD BE PERMITTED IN THE SHORT OR MEDIUM TERM.

4. AFTER CONSULTATIONS IN WASHINGTON BETWEEN THE USG AND DUISENBERG/ZIJLSTRA NEXT WEEK, THE MEETING AGREED THAT THE G-20 DEPUTIES SHOULD BE BRIEFED IN PARIS MAY 7-9, THE EEC COUNCIL OF MINISTERS SHOULD BE BRIEFED ON MAY 20 AND THE MINISTERIAL G-20 SHOULD FURTHER DISCUSS THE MATTER IN WASHINGTON DURING JUNE.

5. IN COMMENTING TO EMBOFF ON THE TEXT, OUR SOURCE REMARKED THAT THE GOB ENVISIONS A QUITE WIDE BAND (SNAKE) WITH CENTRAL BANKS MEETING TO SET REVISIONS APPROXIMATELY ONCE A MONTH. HE ALSO FELT THAT THERE WILL NOT BE MANY TRANSACTIONS, EVEN IF THE SYSTEM IS IMPLEMENTED IN JUNE, EXCEPT THAT THE ITALIANS MAY BE MODERATE SELLERS FOR A WHILE.

6. THE BELGIAN MINISTRY FEELS THAT THE NEW SYSTEM COULD HELP DEMONETIZE GOLD BY (A) HAVING FECOM PRUDENTLY SELL OFF ITS GOLD ACQUISITIONS ON OPEN MARKET, (B) ENCOURAGING OIL-PRODUCING COUNTRIES TO BUY GOLD ONCE A DEEPER MARKET HAD BEEN CREATED AND/OR, (C) IMF MIGHT START EXCHANGING GOLD FOR SDR'S (REF B).

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7. COMMENT: BELGIANS SEEM RELAXED ON THIS ISSUE FEELING THAT THEY ARE UNLIKELY TO BE EITHER BUYERS OR SELLERS OF GOLD IN THE SHORT OR MEDIUM TERM. THE GOB FEELS, HOWEVER, THAT THE ITALIANS HAVE A REAL CASE FOR SOME WAY BEING FOUND FOR ITALY TO UTILIZE ITS GOLD HOLDINGS. FURTHERMORE, SINCE THE FRENCH ARE IN A SIMILAR POSITION (I.E. HOLDING A RELATIVELY LARGE PART OF THEIR RESERVES IN GOLD), THE GOB HOPES THAT BY GIVING THE FRENCH A WAY

TO MAKE THIS GOLD USEABLE IN INTERNATIONAL SETTLEMENTS,
THIS WILL HELP BRING FRANCE BACK INTO THE EEC SNAKE. STRAUSZ-HUPE

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